

IRS News Release

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Paulson, IRS Launch Campaign to Help Low-Income Taxpayers Take Advantage of Tax Credit, Free Tax Help

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WASHINGTON — Treasury Secretary Henry M. Paulson, Treasurer Anna Escobedo Cabral and IRS Commissioner Mark W. Everson and the IRS' national partners launched Earned Income Tax Credit (EITC) Awareness Day at a Treasury Department press conference today. The event kicks off a nationwide campaign to inform taxpayers about this important credit for working families and the availability of free tax help.

"The Earned Income Tax Credit helps Americans who work hard but need extra support to make ends meet — people who are often on the first step of the economic ladder, gaining the experience and skills to land a better job and earn a higher income in the future," said Secretary Paulson. "Our goal is not just to help people get by. Our goal is to help people get ahead."

More than 150 coalitions and partners across the nation marked EITC Awareness Day with a series of news conferences or news releases promoting this valuable tax credit for low-wage taxpayers. These organizations operate free tax preparation sites for low-income individuals, for seniors and for other eligible taxpayers.

The Treasury officials were joined by partners Mayor Otis Johnson of Savannah, Georgia, Brian Gallagher, chief executive officer of United Way of America, Elsie Meeks, executive director of First Nations Oweesta Corporation and Linda Eatmon-Jones, coordinator, DC CASH, for the kickoff event at the Treasury Department.

The Earned Income Tax Credit provides a refundable credit of up to \$4,536 for eligible families. EITC claimants are eligible for free tax preparation services provided at 12,000 volunteer sites nationwide or they can also link to Free File through IRS.gov if they wish to prepare their own return.

In addition to providing help claiming the EITC, these free tax sites can help qualified taxpayers request their one-time telephone excise tax credit.

"The IRS wants all eligible taxpayers to claim the EITC. Trained volunteers working at these free tax preparation sites can help ensure that taxpayers receive all the deductions and credits they are due. And, if you want to do your own taxes, there is always Free File which is available at IRS.gov," said Commissioner Everson.

Many organizations offering free tax help also are encouraging taxpayers to save a little money or open a bank account. The IRS is helping in this effort by creating a new split-refund program that allows all taxpayers to divide their refund among up to three financial accounts, such as checking, savings and retirement.

“Tax time is an ideal time to think about savings. For many taxpayers, tax refunds are the largest checks they will receive throughout the year, and the new split-refund program gives individuals and families the opportunity to build a nest egg for the future,” said Treasurer Cabral.

During tax year 2005, more than 22 million returns received over \$41 billion in EITC. However, the IRS also estimates that as many as 25 percent of eligible taxpayers fail to claim this tax credit.

Eligible people who fail to claim EITC include Spanish speakers, individuals who are self-employed or have service jobs in private households, childless taxpayers, rural residents, and recipients of other types of public assistance such as food stamps.

The credit was created in 1975 in part to offset the burden of Social Security taxes and to serve as a work incentive. The amount of the credit varies but it is generally determined by income and family size. Many states also have a local version of EITC which also can increase a taxpayer's refund.

Tax preparers and taxpayers can find a wealth of information at IRS.gov. Both can use the EITC Assistant at www.irs.gov/eitc which is an easy-to-use interactive tool to help determine if the taxpayer is qualified for EITC. This step-by-step online program helps answer questions about eligibility, filing status, qualifying children and credit amount. The EITC Assistant also is available in Spanish.

For the 2006 tax year, the maximum credit is \$4,536 for a family with two or more children; \$2,747 for a family with one child and \$412 if the taxpayer does not reside with children.

The maximum amount of earned income allowed is higher for tax year 2006 than it was for 2005. Please see Fact Sheet 2007-13 for all eligibility requirements. Generally, a taxpayer may be able to take the credit for tax year 2006 if the taxpayer:

- has more than one qualifying child and earns less than \$36,348 (\$38,348 if married filing jointly),
- has one qualifying child and earns less than \$32,001 (\$34,001 if married filing jointly), or
- does not have a qualifying child and earns less than \$12,120 (\$14,120 if married filing jointly).

The maximum amount of investment income also increased to \$2,800 for tax year 2006.

The IRS reminds tax professionals that they must perform due diligence when preparing an EITC tax return. To help, the IRS created an EITC Tax Preparer Electronic Toolkit which is available at www.eitcfortaxpreparers.com.

In addition to on-line tools, the IRS also produces Publication 596, Earned Income Credit, which explains all the eligibility rules and also includes a worksheet to determine eligibility. The publication is available in English and Spanish.